

Internal Audit Division
City of Greensboro



May 21, 2010

TO: Rashad Young, City Manager

FROM: Internal Audit Division

SUBJECT: New Garden Associates Limited Partnership

The Internal Audit Division has completed our annual review of The New Garden Associates Limited Partnership along with a Programmatic Review by the Housing & Community Development Department for the 2007-2008 year. Attached you will find our review report; the agency response; the departmental response and our replies to their responses. We feel that sufficient corrective actions have been implemented to our recommendations as we move forward. If you have any questions or need additional information, please let us know. Thanks.

A handwritten signature in black ink, appearing to read "Len Lucas".

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Assistant City Manager for Economic Development
Dan Curry, Interim Director of Housing & Community Development



City of Greensboro

Date: September 11, 2009
To: Dan Curry, Acting Director of Housing & Community Development
From: Internal Audit Division
Subject: New Garden Associates Limited Partnership 2007-2008

The Internal Audit Division has performed our compliance review of the year ended December 31, 2008 of the New Garden Associates Limited Partnership, which consists of 76 units for low-income individuals or families located at 1622 McPherson Street. This Partnership received a loan in December 1992 for \$1,299,220 from the City of Greensboro to help in the rehabilitation of the apartment units. These units provide housing for qualified individuals and families in the Greensboro area. These units are called the New Garden Place Apartments and are managed by Wynnefield Properties, Incorporated.

We accompanied Mr. James Teele, Rehabilitation Advisor of the Department of Housing & Community Development, as he inspected approximately 15 percent of the units and some minor repairs were noted. Overall the exterior of the units inspected appear to be well maintained.

We examined selected financial transactions and program documentation maintained by the Partnership for compliance with the loan agreement. Principal payments were to begin September 1, 1994 at 75% of gross receipts after deducting all normal and reasonable operating and capital expenses actually incurred and payments into the Capital Replacement Reserve Account (limited to \$175,000). There is a payment that is due the City from the Partnership in the amount of \$50.25 at this time. The City principal balance as of December 31, 2008 was \$1,297,500. The Capital Replacement Reserve Account balance was \$126,179 for the year ended December 31, 2008. This loan is due in full November 1, 2022.

We examined selected program documentation maintained by the partnership for compliance with the loan agreement. Based on our review, it appears that the funds have been spent according to the terms of the loan agreement with the exception of the following findings:

FINDING:

A payment in the amount of \$50.25 is due to the City from the Partnership for fiscal year ended December 31, 2008.

RECOMMENDATION:

The payment of \$50.25 should be made promptly to the City.

FINDING:

Regarding the Partnership's audited financials for calendar year ended December 31, 2008, the Management Letter was due March 31, 2009 but was not received until June 10, 2009.

RECOMMENDATION:

Management should provide the City with requested documents when they are due. Also, we request a written reply from the Partnership owners regarding the findings in the Management Letter.

We request a written and signed response from the Department of Housing & Community Development and Wynnefield Properties by September 25, 2009 to the City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27402.

We would like to thank Ms. Joanie Duley, Corporate Management; Mr. Tim Millisor, Wynnefield Regional Property Manager; Ms. Barbara White-Tate, Community Manager; Mr. Donald Friend, Maintenance Coordinator; Ms. Denise Lockhart, Regional Manager and the staff of Wynnefield Properties for their courtesy and cooperation shown to us during this visit. If there are any questions or comments concerning the details of this visit, we can be reached at 373-2821.



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Andy Scott, Interim Assistant City Manager for Economic Development
Norwood Stone, President of Wynnefield Properties Management, Incorporated



Date: September 4, 2009
To: Norwood Stone, Wynnefield Properties
From: Michael Blair, City of Greensboro HCD
RE: *FY09/10 New Garden Place Programmatic Evaluation*

On June 10, 2009 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of New Garden Place Apartments. The property is located at 1622 McPherson Street, in Greensboro, NC. Wynnefield Properties, Inc. manages the property and in this capacity is responsible to the City of Greensboro Department of Housing and Community Development for contractual compliance.

The purpose of the monitoring visit is to determine whether the property is meeting applicable program and contractual requirements. In this monitoring review attention was paid to contract compliance along with financial management systems, a review of tenant files, and occupancy.

The period under review, along with current conditions, was from July 1, 2008 to June 30, 2009. In addition to examining various program materials, a physical inspection and review of financial files, in the course of the review HCD and IA staff met with Ms. Joanie Duley, Corporate Management; Ms. Barbara White-Tate, Community Manager; Ms. Denise Lockhart, Regional Manager; Mr. Donald Friend, Maintenance Coordinator and Mr. Tim Millisor, Wynnefield Director of Property Management.

For reference purposes the property was acquired and rehabilitated with \$1,229,220 in local bond funds combined with \$1,415,517 in North Carolina Affordable Housing Tax Credits. Greensboro Consortium HOME Program funds were not expended on this property therefore the agreement, and note and deed of trust, is the main document regarding occupancy and tenancy requirements for this review. The property consists of 76 units and 100% the units would be made affordable (Rent plus Utilities) to households with incomes at or below 42% (With UA's added. 1/BR - \$493; 2/BR - \$555; 3/BR - \$617) of the adjusted area median income.

Rents:

1/BR - \$394; UA - \$48 = \$442 total housing cost
2/BR - \$440; UA - \$85 = \$525 total housing cost
2/BR - \$490; UA - \$117 = \$607 total housing cost

Only one of the tenant incomes reviewed appears to have exceeded 140% of their maximum eligible income limit. Resident incomes are certified annually according to the NCFHA Rental Compliance Reporting System report and HCD file review. The tenant files reviewed were in superb condition and contained all required back-up documentation.

Reported occupancy from July 1, 2008 has been 92.8% which is good in the current market. At the end of the second quarter of 2009 (April, May and June) the occupancy was at 93.4%. This is higher than the area average of 90.7% in April 2009.

Section 8 housing vouchers are accepted and fifteen (15) tenants receive this assistance.

HCD staff inspected twelve (12) units on June 10, 2009 and reported certain minor deficiencies that need attention in nine (9) of those units. The exterior is in good condition other than an increased need of paint; screens could be repaired; and sections of the roof may need work. Please refer to the inspection report for details.

Rental Property Scoring Report - 88 points out of maximum 100

A score of 88 places Alexander Homes in the green rental scoring category. This is indicative of a property that is in good all around condition.

Indicator	Result	Deducted or added
Physical Occupancy FY08/09	93%	0
Difference between Physical Occupancy and Econ. Occupancy (CY2008)	1%	0
Average Vacant Unit Off-line Time	60 days	-8
Maintenance Response Time	around 1 day	0
Overall Physical Condition	"Satisfactory"	0
Per Unit Cash Flow	Over \$180 (\$675)	0
Hard Debt Service Coverage Ratio	1.12	0
Timely Delivery of External Audit	Late management letter	-3
Adhering to HOME, PJ, Agreement and/or Note and Deed	Yes* see concern	0
Adhering to Reporting Standards	Yes	0
Cash Flow	positive	0
Resident Turnover Rate	16%	-1
Property Taxes Paid Ontime	Yes	0
Reserve requirements met	Yes	0
Replacement reserve Minimum of \$1,000/unit	>\$126,000	0

As a result of this review HCD staff is making zero (0) findings, two (2) concerns and one (1) observation. A *finding* is defined by HCD as a project element that does not comply with a local, federal, or contractual, rule or regulation whereas a *concern* is either a potential finding or management weakness that should be improved to avoid future problems. An *observation* can be either a positive comment about the agency or a suggestion that may improve a service or element of operations.

Concern 1 – Lead Disclosure

Management does not appear to have new tenants sign a lead disclosure form. The property is a pre-1978 (1969) construction. EPA and HUD joint Lead Safe Housing rules require using the lead disclosure form and other forms. From the "Final Rule":

- (1) Sellers and lessors of most residential housing built before 1978 must disclose the presence of known lead-based paint and/or lead based paint hazards in the housing;
- (2) sellers and lessors must provide purchasers and lessees with any available records or reports pertaining to the presence of lead-based paint and/or lead-based paint hazards;
- (3) sellers and lessors must provide purchasers and lessees with a **federally approved lead hazard information pamphlet**;
- ~~(4) sellers must provide purchasers with a 10-day opportunity to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards before the purchaser is obligated under any purchase contract;~~
- (5) sales and leasing contracts must include certain disclosure and acknowledgment language; and
- (6) agents must ensure compliance with these requirements.

These provisions ensure that families receive both specific information on the housing's lead history and general information on lead exposure prevention.

Requested Action

The only exemption to the above rule that might apply to New Garden Place is if a certified lead inspector has found the property free of lead-based paint. If this has been done please submit a copy of the report to HCD. This would immediately resolve this concern.

If the property has not been previously cleared by a certified lead inspector then the following documents must be completed and placed in every tenant file (to be confirmed by an inspection) by October 19th:

- Any document showing receipt of a federally approved lead hazard information pamphlet
- Signed/dated Lead-Based Paint and/or Lead-Based Paint Hazards Disclosure form

HCD staff reviewed the rehabilitation file from 1992 and located the Phase 1 Environmental Property Assessment which states that the property was not tested for lead hazards. However this may have been completed sometime after the rehabilitation.

This request is supported by §4.9 of the loan agreement "Governmental Regulations".

Concern 2 – Management Letter

The Internal Audit report included a finding for a very late management letter.

Requested Action

To submit financial documents when due (90 days from FYE) per the agreement §3.4 "Financial Statement".

Observation 1 – Indicators

A few of the financial indicators have had declined slightly since the FY08/09 review.

Requested Action

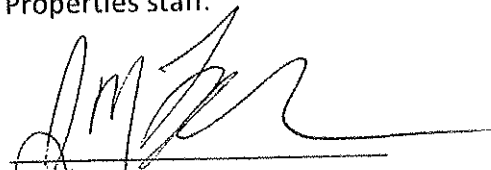
None. This is a well managed older rental property as indicated by its overall rental property score. The declines are all likely due to worsening local and national economic conditions. Conditions noted the property still maintains a very high occupancy rate.

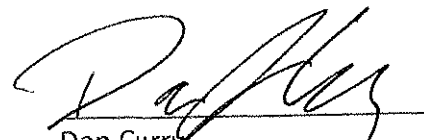
HCD requests that management review and reply to the Internal Audit report as requested.

The concerns and observation in this review, in our view, do not reflect negatively on property management staff and their work ensuring continued affordability compliance. The intent of the first concern is to ensure compliance with the Lead Safe Housing Rule. The intent of the second observation is to ensure contractual audit requirements are met. The intent of the second observation is to bring attention to and prevent possible future financial problems.

It is HCD staff opinion that New Garden Place Apartments is generally contractually compliant concerning affordability requirements with the lack of lead disclosure a serious concern; The lead issue must be resolved. The property appears to be in good condition, is very well managed, and remains a decent housing option for qualified households.

HCD staff appreciates the assistance provided during the monitoring visit by Wynnefield Properties staff.


Michael Blair
Specialist Grants Compliance


Dan Curry
Acting Director HCD



Internal Audit Division
City of Greensboro

March 9, 2010

Mr. Craig Stone
Wynnefield Properties, Inc.
P. O. Box 395
Jamestown, NC 27282

Re: New Garden Homes Apartments-2007 to 2008

Dear Mr. Stone:

We are following up on Wynnefield's written response for New Garden Homes which was due to the City on or before September 25, 2009. For your reference, we are attaching a copy of our report to Wynnefield dated September 11, 2009. Your immediate reply to this matter would be appreciated. If you should have any questions, please feel free to call us at 373-2821.

Sincerely,

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Interim Assistant City Manager for Economic Development
Dan Curry, Acting Director of Housing & Community Development
Bill Cashatt, Wynnefield Properties



City of Greensboro

Date: September 11, 2009
To: Dan Curry, Acting Director of Housing & Community Development
From: Internal Audit Division
Subject: New Garden Associates Limited Partnership 2007-2008

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Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Andy Scott, Interim Assistant City Manager for Economic Development
Norwood Stone, President of Wynnefield Properties Management, Incorporated



MEMO

Date: March 22, 2010
To: Len Lucas, Internal Audit Director
From: Michael Blair, Analyst Grants Compliance *MB*
RE: HCD Review of New Garden Homes Audit Report

HCD concurs with the Internal Audit review.

Internal Audit Division
Executive Department
City of Greensboro



March 23, 2010

TO: Dan Curry, Acting Director of Housing & Community Development
FROM: Internal Audit Division
SUBJECT: New Garden Associates Limited Partnership, 2007-2008

Thank you for your reply of March 22, 2010. Internal Audit agrees with the Department of Housing & Community Development's response to Internal Audit's subject report dated September 11, 2009.

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Assistant City Manager for Economic Development

THIS CHECK IS VOID WITHOUT A BLUE & GREEN BACKGROUND AND AN ARTIFICIAL WATERMARK ON THE BACK - HOLD AT ANGLE TO VIEW

New Garden Apartments
General Fund Checking

PO Box 395
Jamestown, NC 27282
336-454-6134

Carolina Bank
Greensboro, NC 27407

12513

66 7401
531

5/17/2010

Pay to the
Order of

CITY OF GREENSBORO

\$50.25

Fifty and 25/100

DOLLARS

CITY OF GREENSBORO
P.O. BOX 1170
GREENSBORO, NC 27402-1170

SIGNATURE HAS A COLORED BACKGROUND - BORDER CONTAINS MICROPRINTING

2008 City of G'boro Loan Calculation

⑈012513⑈ ⑆053174019⑆ 2014068⑈

New Garden Apartments

General Fund Checking

5/17/2010

12513

CITY OF GREENSBORO

I. Debt Service Expenses: 6820 : D

50.25

LOAN # 511533

PK 5/19/10

Operating Fund

2008 City of G'boro Loan Calculation

50.25

MGT, INC.

Property Management
336-454-6134
Fax: 336-454-6190

P. O. Box 395
5614 Riverdale Road
Jamestown, N. C. 27282

May 18, 2010

Mickey Kerans
Internal Auditor
City of Greensboro
P. O. Box 3136
Greensboro, N. C. 27402

Re: New Garden Apartments -2007-2008

Dear Mickey:

In reference to your letter dated September 11, 2009 I am responding to your findings.

I am enclosing a check for \$ 50.25 paying the amount due on the City of Greensboro.

We have instructed our external auditors to have the Management Letter in our office before March 31 so it can be sent to the City of Greensboro.

I am enclosing Tim Millisor's response to the HCD letter from Michael Blair.

If you have any questions please call.

Sincerely,



Bill Cashatt



Internal Audit Division
City of Greensboro

May 19, 2010

Mr. Bill Cashatt
Wynnefield Properties, Inc.
P. O. Box 395
Jamestown, NC 27282

Re: New Garden Apartments-2007 to 2008

Dear Mr. Cashatt:

We are in receipt of your letter dated May 18, 2010 which we received on May 19, 2010. We appreciate Wynnefield's reply to our review report dated September 11, 2009 which we requested a response from Wynnefield on or before September 25, 2009. We are in agreement with Wynnefield's responses re: the Partnership's audited financials, Management Letter and the mortgage payment to the City in the amount of \$50.25.

Sincerely,

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Assistant City Manager for Economic Development
Dan Curry, Acting Director of Housing & Community Development